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[9156] UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Q 35680

FORM 10-Q

KGL-2206

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended ... March 31, 1992 .....

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ..... to .....

Commission file number ..... 33-35454 .....

..... Health Club Television Network, Inc. .....

(Exact name of registrant as specified in its charter)

New York 94-3082476

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

369 Lexington Avenue New York, NY 10017

(Address of principal executive offices) (Zip Code)

(212) 599-2002

PROCESSED BY
MAY 19 1992
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(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes . X . No . . .

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes . . . No . . .

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. March 31, 1992 - 3,985,793 shares

BEST COPY AVAILABLE

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 801,111	$ 72,827
Prepaid expenses and other current assets	49,923	51,507
Total	851,034	124,334
Furniture, equipment and software, net of accumulated depreciation of $156,396 in 1992 and $106,568 in 1991	932,199	877,340
Other assets:		
Due from vendor	176,038	176,038
Note receivable	20,084	18,565
Deferred compensation	39,000	39,000
Security deposits	14,346	11,520
Other	1,016	1,016
Total	250,484	246,139
TOTAL	$ 2,033,717	$ 1,247,813

LIABILITIES	March 31, 1992 (Unaudited)	December 31, 1991
Current liabilities:		
Accounts payable and accrued expenses	$ 1,000,552	$ 993,724
Current portion of notes payable	325,000	75,000
Current portion of obligations under capitalized leases	4,002	4,133
Total	1,329,554	1,072,857
Notes payable - long-term	100,000	100,000
Obligations under capitalized leases - less current portion	7,183	7,183
Total	1,436,737	1,180,040
STOCKHOLDERS' EQUITY		
Common stock - $.001 par share par value, authorized 10,000,000 shares, issued and outstanding 3,985,793 shares (1992) 3,363,049 shares (1991)	3,986	3,363
Additional paid-in capital	6,727,880	5,751,627
(Deficit) accumulated during the development stage	(6,124,886)	(5,677,217)
Total	606,980	77,773
Stock subscription receivable	(10,000)	(10,000)
	596,980	67,773
TOTAL	$ 2,033,717	$ 1,247,813

Attention is directed to the accompanying notes to condensed financial statements.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		For The Period From June 20, 1988 (Inception) to March 31, 1992
	1992	1991	
Revenue	$ - 0 -	$ - 0 -	$ 128,423
Operating expenses:			
Production and programming	29,805	181,989	973,658
Marketing and selling	129,186	218,185	1,728,227
Consulting	10,975	32,781	895,620
General and administrative	266,436	233,253	2,200,269
Total operating expenses	436,402	666,208	5,797,774
Operating (loss)	(436,402)	(666,208)	(5,669,351)
Interest expense	(11,267)	(113,582)	(486,882)
Interest income		23,787	31,347
NET (LOSS)	$ (447,669)	$ (756,003)	$(6,124,886)
Weighted average number of common shares outstanding	3,387,390	2,610,999	
Net (loss) per common share	$(.13)	$(.29)	

Attention is directed to the accompanying notes to condensed financial statements.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,		For the Period From June 20, 1988 (Inception To March 31, 1992
	1992	1991	
Cash flows from operating activities:			
Net (loss)	$ (447,669)	$ (756,003)	$(6,124,886
Adjustments to reconcile net (loss) to net cash (used in) operating activities:			
Depreciation and amortization	49,828	3,081	159,197
Value of compensation paid by issuance of stock			431,587
Amortization of discount on notes payable		106,068	361,807
(Loss) on surrender of equipment			10,202
Changes in operating assets and liabilities:			
(Increase) decrease in other current assets	1,584	(1,741)	(49,923
(Increase) in security deposits	(2,826)	(400)	(14,346
Increase in deferred compensation			(39,000
Increase in due from vendor			(176,038
(Increase) in other assets			(2,116
Increase (decrease) in accounts payable and accrued expenses	6,828	(241,152)	990,724
Increase in prepaid revenues		67,500	
Net cash (used in) operating activities	(392,255)	(822,647)	(4,452,792
Cash flows from investing activities:			
Purchase of equipment and furniture	(104,687)	(92,533)	(1,074,583
Note receivable	(1,519)		(20,084
Net cash (used in) investing activities	(106,206)	(92,533)	(1,094,667
Cash flows from financing activities:			
Payments on leases payable	(131)	(720)	(4,902
Proceeds from notes payable	250,000		1,498,800
Repayment of notes payable		(1,027,500)	(1,073,800
Proceeds from sale of stock net of registration costs and expenses	976,876	3,043,963	5,928,472
Increase in deferred registration costs		147,660	
Net cash provided by financing activities	1,226,745	2,163,403	6,348,570
NET INCREASE IN CASH	728,284	1,248,223	801,111
Cash and cash equivalents - beginning	72,827	9,199	
CASH AND CASH EQUIVALENTS - END	$ 801,111	$ 1,257,422	$ 801,111

(continued)

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(continued)

	Three Months Ended March 31,		For the Period From June 20, 1988 (Inception To March 31, 1992
	1992	1991	
Supplemental disclosures of cash flow information:			
Interest paid	$ 3,363	$ 66,876	$ 33,680
Schedule of noncash investing and financing transactions:			
Investing:			
Cost of equipment and furniture	$104,687	$ 92,533	$1,100,498
Equipment leases			(25,915)
Cash used for purchase of equipment and furniture	$104,687	$ 92,533	$1,074,583
Financing:			
Value of stock issued	$976,876	$3,043,963	$6,731,866
Stock subscription receivable			(10,000)
Value of common stock issued for services			(431,587)
Value of common stock issued in connection with loans			(361,807)
Proceeds from sale of stock	$976,876	$3,043,963	$5,928,472

Attention is directed to the accompanying notes to condensed financial statements.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(NOTE A) - Development Stage: (continued)

Under an agreement with Bally's Health & Tennis Corporation ("BHTC"), the Company conducted a pilot-test of its video systems at selected health clubs owned by BHTC. The pilot-test commenced in June 1991 in New York City, in August 1991 in Chicago, in November 1991 in Atlanta and in January 1992 in Los Angeles. The test entailed, among other things, acquisition and installation of viewing systems, program production and market research. If the pilot-test is successful, the Company expects its agreement with BHTC to be extended. The Company has not completed an evaluation of the results of the pilot-test. There is no assurance that the pilot-test will be successful or that the BHTC agreement will be extended.

During 1991, the Company commenced installation of radio equipment in certain health clubs and commenced its radio network operations in April 1992. The Company has a letter of intent from the Sound Products division of the 3M Company ("3M") under which 3M will lease satellite equipment to the Company and install the Company's radio equipment in specified health clubs.

(NOTE B) - Private Placement Offering of Common Stock:

In January 1992 the Company offered in a private placement, 50 units, each unit consisting of 33,333 shares of common stock, for $50,000 per unit (subject to a minimum sale of 10 units). At March 31, 1992 $825,000 in proceeds was raised pursuant to this offering and is included in common stock. As of May 1, 1992 an additional $285,000 was received under this offering.

(NOTE C) - Exercise of Stock Purchase Warrants:

Under an offer to holders of warrants commencing in June 1991 (subsequently extended on five occasions to June 7, 1992), warrants to purchase 69,750 shares of common stock at $2.50 per share were exercised between January 1, 1992 and March 31, 1992, resulting in proceeds of $174,375. Subsequent to March 31, 1992 warrants to purchase 50,000 shares of common stock were exercised and proceeds of $125,000 were received.

(NOTE D) - Net Loss Per Common Share:

Net loss per common share is based on the weighted average number of common shares outstanding during the periods. Stock issued within one year of the initial public offering at a price below that of the public offering price is treated as outstanding for the entire period.

(continued)

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

(NOTE E) - Contingencies:

In October 1988, the Company and its founders entered into an agreement with four individuals for production services. The agreement provided for payment of $5,000 a month for four months, an employment agreement with each individual at a salary of $11,000 per month and for the issuance to them of stock equal to 12% of the outstanding shares of the Company all subject to performance by the individuals. The Company has not paid any monies to them, has not entered into employment agreements nor issued any stock to them since it claims they did not perform under the agreement. In May 1989 the individuals offered to settle the matter for $20,000 plus their legal fees and a reasonable additional payment should the Company go forward successfully. No settlement was reached by the parties. On April 26, 1991 the Company received a letter from the attorney for the individuals, reasserting their claims. No further demand or claim has been made in this matter.

A claim against the Company was asserted by a consultant in 1990 for $58,550, 5,232 shares of common stock and warrants to purchase units at $3.00 per unit. The Company denies all of such claims as without any merit except with respect to payment of $2,250 per month for 12 months commencing after the consummation of the offering. In December 1991 the consultant commenced a suit against the Company seeking compensatory damages of $40,000 and punitive damages of $1,000,000 for the Company's allegedly causing its attorney to refuse to issue a Rule 144 opinion letter for the sale of his restricted stock. The suit also seeks an order of the Court directing the Company's attorney to issue such an opinion letter. The Company denies the claim as being without any merit, and has moved for summary judgment.

In November 1991, the holders of a $100,000 promissory note payable by the Company in January 1993 commenced an action seeking to accelerate the due date of the note. The Company believes that there has been no default under the note which could accelerate its due date.

In December 1991, the Company commenced an action against a vendor, which the Company had engaged for purchase and installation of its radio and TV equipment, and several of its employees and officers, for breach of contract, conversion of its property, fraud and defamation. The vendor has also brought a claim against the Company for alleged breach of contract and alleged unpaid services seeking damages of approximately $700,000. The Company believes this suit is without merit in that the Company has paid the vendor all sums due it and that the vendor breached the contract between it and the Company.

(continued)

(NOTE E) - Contingencies: (continued)

In February 1992, a vendor commenced a suit for alleged breach of contract and unpaid services, seeking damages of approximately $150,000. The Company believes this matter will be settled in the near future.

Various vendors have commenced suits or asserted claims against the Company for alleged services rendered aggregating $79,000. Of this amount $38,000 has been recorded as a liability in the financial statements.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company has been in the development stage since its inception in June 1988. During this time period the Company has been planning its operations, testing and developing video hardware delivery systems, acquiring and editing video and audio programming networks, soliciting advertiser commitments and health club subscriber locations and raising capital.

As part of its plan of operations the Company has completed a pilot-test of its video systems at selected health clubs which commenced in June 1991 at the Vertical Club in New York City, August 1991 at the North Shore Health Club in Chicago, November 1991 in Atlanta and January 1992 in Los Angeles. The pilot-test entailed, among other things, acquisition and installation of viewing systems, program production and independent market research.

Preliminary pilot research from New York and Chicago shows in the area of brand awareness, 15 of eighteen brands scored higher from prewave to postwave testing. These findings are preliminary, therefore further results of the pilot study must be tabulated before any definitive conclusions are drawn.

In addition, the Company has commenced installation of its Health Club Radio Network in the fourth quarter of 1991 in four clubs in New York and New Jersey and has currently installed an additional 60 clubs which are ready to air.

During the period from June 20, 1988 (inception) to December 31, 1988, for the years ended December 31, 1989 and December 31, 1990 and for the three month ended March 31, 1992 the Company had operating losses of $537,371, $313,415, $1,506,078, $2,876,085 and $436,402, respectively. During those periods the Company incurred interest expense, including amortization of discount on notes payable of $18,135, $67,777, $261,116, $128,587, and $11,267, respectively.

Operating expenses decreased by $229,806 for the three months ended March of 1992 in comparison to March of 1991. The decrease is attributable to the TV pilot test and the elimination of associated programming and installation costs.

Interest expense for the quarter ended March 31, 1992 decreased by $102,315 compared to the quarter ended March 31, 1991 as a result of the absence of loans repaid from proceeds of the public offering in January 1992. Interest expense for the three months ended March 31, 1991 includes $106,068 of discount written off upon the repayment of such loans.

The Company expects to incur additional losses in its development stage.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Since the Company's inception in June 1988 it has financed its development stage operations through the sale of common stock for cash, issuance of common stock for various services and borrowings for which it issued common stock as additional consideration.

On January 11, 1991 the Company sold, in a public offering 1,250,000 units; each unit consisting of one share of common stock and one redeemable common stock purchase warrant. Proceeds from the sale, net of underwriting commissions and expenses were approximately $3,044,000. From these proceeds the Company used $1,094,000 to repay bridge loans and promissory notes, including interest thereon, and $83,000 to pay accounts payable and accrued expenses related to the offering. The balance of the proceeds ($1,867,000) was added to working capital. A significant portion of the proceeds was used in connection with the pilot-tests referred to above.

On June 14, 1991, the Company offered holders of warrants exercisable at $4.00 per share, the right to exercise such warrants at $2.50 per share for a period of 30 days. The offer was extended on five occasions and is now scheduled to expire on June 7, 1992. Pursuant to this offer warrants to purchase 599,272 shares of common stock were exercised through December 31, 1991 resulting in proceeds of $1,441,081 net of offering expenses of $56,500. An additional 119,750 shares were exercised from January 1, 1992 to May 8, 1992 resulting in proceeds of $299,375.

On December 31, 1991 the Company entered into a loan agreement with Harrison M. Gray, Robert Gray, and Eugene Schwartz (all executive officers, directors, and principal shareholders of the Company) wherein they agreed to lend to the company an aggregate amount of $75,000. In January 1992, the Company offered in a private placement 50 units, each unit consisting of 33,333 shares of common stock, for $50,000 per unit (subject to a minimum sale of 10 units). At May 1, 1992, $1,110,000 in proceeds had been raised pursuant to this offering.

On January 21, 1992, the Company borrowed $250,000 from Royce Investment Group with interest at 12% per annum. The term of the Loan is six months, however, it is pre-payable from the first proceeds of a private placement of restricted shares of the company's common stock or from the exercise of the Company's publicly traded investor warrants. The company agreed to pay a commission to Royce Investment Group of $14,146.67.

HEALTH CLUB TELEVISION NETWORK, INC.
(a development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In April 1992 the Company has commenced operations of Health Club Radio Network and has acquired the necessary receiving and playback equipment for installation of 75 sites. Substantial additional financing will be required to complete its installation schedule of clubs. The Company is currently exploring several alternatives for additional financing, including the private placement currently being offered, but there is no assurance that such can be obtained.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.
Previously reported.

Item 2. Changes in Securities.
None.

Item 3. Defaults upon Senior Securities.
None.

Item 4. Submission of Matters to a Vote of Security Holders.
None.

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K.
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTH CLUB TELEVISION NETWORK, INC.
Registrant

Dated: May 13, 1992

Robert Gray, Chief Executive Officer

Dated: May 13, 1992

Lorraine Pascarella, Vice President,
(Principal Financial Officer)